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NEWS RELEASE

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PSC Approves Rate Redesign for Owen Electric Cooperative *Revenue-neutral changes designed to promote energy efficiency programs*

FRANKFORT, Ky. (Feb. 29, 2012) – The Kentucky Public Service Commission (PSC) has approved a request by Owen Electric Cooperative Corp. to alter its rate structure to more accurately reflect the cost of serving its residential and small commercial customers.

In approving the rates, the PSC said it agreed with Owen Electric that the restructuring will allow the distribution cooperative to maintain financial stability while stepping up efforts to encourage its customers to reduce energy usage. The PSC also approved a request by Owen Electric to offer optional rates that are designed to promote energy efficiency.

The changes are designed to leave Owen Electric's total revenue unchanged. Bills for individual customers will change somewhat, depending on the amount of electric consumption, because the new rate structure allocates a larger portion of the total bill to the fixed monthly charge while reducing the amount charged for each kilowatt-hour of electricity consumed.

The PSC, citing its long-standing adherence to the principle that major rate restructuring should be done gradually, ordered that the new rates be phased in over the next three years.

As a result, the monthly customer charge for residential users will increase from \$11.30 to \$20 in three equal steps of \$2.90 spaced over the next three years. The charge will rise immediately to \$14.20 and to \$17.10 in 18 months. The final increase to \$20 will leave the monthly charge at \$5 less than proposed by Owen Electric.

With each increase in the monthly charge, the per-kilowatt-hour charge (a kilowatt-hour is the amount of electricity used by a 100-watt light bulb in 10 hours) will decrease by the amount needed to leave overall revenue the same if total usage remains constant. For residential customers, it will decline over three years from the current 8.81 cents per kilowatt-hour to 8.02 cents per kilowatt-hour.

Rates for small commercial customers will also follow a similar progression, with the monthly charge rising from the current \$13.34 to \$25 in three years. The final charge is \$10 less than the amount requested by Owen Electric.

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Owen Electric has about 57,500 customers in nine counties in north-central Kentucky. It is one of 16 cooperatives that own and purchase power from the East Kentucky Power Cooperative Inc.

In its application for the rate redesign, Owen Electric stated that the actual fixed monthly costs (those that do not vary with usage) of serving its customers are \$27.66 for residential users and \$35.71 for residential users.

The PSC said that the smaller move of fixed costs into monthly charges is in keeping with its “long-held adherence to the ratemaking principle of gradualism,” which is intended to protect customers from abrupt rate shifts.

Owen Electric said that changing the rate structure would help insulate the cooperative from revenue erosion as it moves more aggressively into demand-side management and energy efficiency programs that are intended to reduce overall electric consumption by giving customers incentives to adopt energy-saving measures.

The PSC agreed, saying that that is especially true for utilities such as Owen Electric, which is strictly a power distributor and does not itself generate electricity.

The PSC also approved Owen Electric’s request to offer its customers four optional rate plans. Three of the optional plans are time-of-day rates, which charge higher rates for electricity consumed at times of peak demand in exchange for lower rates most of the time. The fourth optional rate is an “inclining block” rate, which offers a lower monthly charge of \$15.78 in exchange for a per-kilowatt-hour rate that increases incrementally with the amount of electricity consumed.

Owen Electric will have to file annual reports on the effects of the rate changes and its efforts in energy efficiency. Six months after the final step in the rate restructuring is completed, Owen Electric will have to file a report detailing the revenue impacts of the changes and the progress of its efforts to reduce energy consumption. The final report must include Owen Electric’s proposals for any further rate restructuring and changes to its demand-side management or energy efficiency programs.

The PSC order, as well as documents filed in the case, are available on the PSC website, psc.ky.gov. The case number is 2011-00037.

PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 90 employees.